

September 23, 2010

To: Suzi Schmidt, Lake County Board Chair
Members of the County Board
Citizens of Lake County



From: Barry Burton, County Administrator
Gary Gordon, Director of Finance and Administrative Services

Re: Fiscal Year 2011 Proposed Budget Letter of Transmittal

Attached we are pleased to present the proposed FY2011 Recommended Operating and Capital Budget. The proposed FY2011 Operating and Capital Budget totals \$479,557,440. This includes all funds within the County.

The operating budget is \$306,484,420. This amount is \$9.3 million less than the previously adopted budget.

The economic recession has significantly impacted all governments. Lake County has taken a **strategic, measured approach** to address our budget challenges, building on the following principles:

- Maintain a fiscally responsible, balanced budget
- Alignment with Lake County Core Mission and Lake County Strategic Plan
- Continuously evaluate workloads and efficiencies in order to deliver services in the most effective manner
- Use one-time resources strategically
- Focus on measuring performance and outcomes
- Identify fiscal and community impacts/benefits
- Maintain adequate reserves for economic uncertainties
- Thoroughly evaluate incremental changes to staffing and spending

As a result of this philosophy, Lake County has low debt and strong reserves. This County also has received the highest ratings from

LAKE COUNTY VALUES:

Fiscal Responsibility

Uphold fiscal integrity, make decisions based on long-term impacts, and maintain sound and prudent financial operations, including: a balanced budget, strong reserves, and AAA financial rating, while maintaining a commitment to honesty, reliability and accountability for all our actions.

Exceptional Customer Service

Deliver cost-effective, efficient and high quality services, placing a high value on professionalism, responsiveness and courtesy to customers.

Leadership

Enhance communication, interaction and cooperation with residents, businesses, other governments, and stakeholders by engaging and involving the public that leads to an improved regional focus.

the independent financial rating firms Standard & Poor's and Moody's Investors Services.

The Lake County Board's commitment to these principles and continued focus on **fiscal responsibility, core mission and strategic goals** allow the County to manage challenging budget times and maintain **fiscal stability** today and into the future.

Looking Back:

2010 Budget

The unprecedented economic situation caused significant budget challenges for the FY2009 and FY2010 budgets. Lake County departments worked together to close the budget deficit by holding vacancies, cutting spending, renegotiating contracts, and implementing other cost-saving programs, including the Accelerated Retirement Option (ARO). A total of 117 individuals chose to participate in the ARO program. Most departments reduced workforce levels by holding vacancies, and some departments eliminated positions due to decreased workload from the economic downturn. Also, non-union employees did not receive a wage increase.

As a result of employees' efforts and the strong support and assistance from departments, the Lake County Board adopted a balanced FY2010 budget that was \$6 million less than the previous year.

Today:

2011 Budget

The economic recovery remains slow and continues to impact revenue sources. As a result of declines in income and sales taxes, and lack of funds from the State, as well as cost increases, Lake County faced a shortfall of \$8 million at the start of budget process.

The State's budget crisis and payment shortages have severely impacted Lake County's budget. For example, the County is projected to lose \$1.2 million from the Inheritance Tax due to a change at the federal and state levels. The County anticipates receiving \$1.1 million less for salary reimbursements from the State for probation services. The State cut the funding level from \$4.2 million in FY09 to \$3.1 million in FY11, and as a result, the 19th Judicial Circuit held 15 positions to absorb this State cut. And, a new State law affecting foreclosure sales could potentially mean \$1.2 million in lost revenue.

In response, Lake County closely analyzed spending across departments and optimized opportunities to achieve maximum efficiency including consolidating positions, conducting audits, and enforcing past-due collections. Additionally, the County worked with its vendors to renegotiate contracts, resulting in a significant cost-savings.

All departments shared in the sacrifices and reduced their budgets. Still, additional measures had to be implemented to close the budget gap. Thus, this proposed budget does not include funding for salary increases.

Additionally, the proposed budget does not include allocations for programs that do not directly align with the County's core mission. Specifically, the budget proposes eliminating funding for the

Stormwater Infrastructure Repair Fund (SIRF), the Brownfield program (redevelopment of contaminated sites), affordable housing, UIC Extension Service, and the Soil and Water Conservation District. The proposed budget also reduced funding levels for Planning, Building and Development, the Lake County Visitors Bureau, and Lake County Partners.

Given the cost-effectiveness of the ARO program last year, Lake County once again offered the ARO and 55 employees took advantage of the program.

As part of the budget process, departments thoroughly reviewed their operations and identified positions that could be consolidated or eliminated for enhanced efficiency. In total since 2009, Lake County eliminated 42 positions and defunded an additional 72 positions for a projected savings of over \$9 million in wages and benefit costs.

As proposed, the budget is balanced and is \$9 million less than the adopted FY2010 budget, which was also significantly less than the previous year.

The proposed FY2011 budget supports the Board's commitment to fiscal responsibility by making decisions based on long-term impacts. For example, the budget includes funds to invest in our fixed assets, including vehicles, equipment and facilities, rather than deferring these costs, and potentially presenting problems later.

Additionally, the County continues to focus on long-term transportation planning and sustaining our transportation infrastructure. This proposed budget maintains funding to advance those efforts.

Improving Efficiency

Lake County implemented numerous measures, both large and small, to operate more efficiently, from eliminating take-home vehicles and suspending trips/training, to using technology and consolidating offices.

A great example is Lake County's new centrally located "one-stop-shop" for permits. The Central Permit Facility, which opened in April 2010, collocates all of the permit functions in one location (Planning, Building, and Development Department, Stormwater Management Commission, Health Department's Environmental Health Services, and the combined laboratory operations for Public Works and the Health Department). Enhanced cooperation and coordination between departments allows for an integrated and streamlined permit approval process, resulting in operational efficiencies. The County was able to consolidate positions and reduce the workforce, while improving customer service.

Focus on Strategic Goals

Budget decisions are made in alignment with the Lake County Strategic Plan found at www.lakecountyil.gov. The County's performance measurement system (outcome assessment) also links the strategic plan and budgeting processes. The County is making progress toward these strategic goals and the proposed FY2011 budget maintains funding for continued advancement.

Goal: Reduce Congestion and Improve Transportation Systems in Lake County

2010 and 2011 Transportation Sales Tax Bonds

The plan for the New Collar County Transportation Empowerment Funds received from the 0.25 percent sales tax included a bonding component that allowed for County Challenge Bond projects. This bonding process allows for high priority projects to be completed faster. The total bond program will now be about \$109 million due to lower interest rates and the availability of the federal Recovery Zone Bonds and Build America Bonds.

The County is providing the State with \$31 million in Transportation Sales Tax bond funding to construct the widening of IL Rte 21 from IL Rte 137 to south of IL Rte 120. The remaining \$78 million in bond funds will be for the County Challenge Bond projects which include the ***Rollins Road Gateway Improvement***. Build a RR underpass for Rollins Road and improve the intersection at the IL Route 83 bottleneck, the ***Fairfield Road Thruway Improvement***. Build a major intersection at Fairfield Road at the Metra RR crossing at IL Route 134, the ***Washington Street Thoroughfare Improvement***. Add lanes to Washington Street (Hainesville Road to Lake Street) and build a CN RR underpass, and the ***Fairfield Road at IL Route 176 Junction Improvement***. Build a major intersection or interchange at Fairfield Road at IL Route 176 and the LCFP trail crossings. The Phase I studies for the four County Challenge Bond projects are nearing completion and recommendations for projects and project phasing will be made in 2011.

Significant Expansion Project

Washington Street is an important east-west travel corridor in central Lake County that links Round Lake, Round Lake Park and Grayslake in western Lake County with Gurnee and Waukegan to the east. Lake County recently completed a \$17.5 million reconstruction of the 30-year-old, four-lane concrete section of this highway between Illinois Route 21 and Illinois Route 41 in Gurnee in 2010. Work is currently underway to widen the remaining two segments of the two-lane roadway to four lanes from Illinois Route 21 to Hunt Club Road. When finished, this project will mark the completion of a 10 year effort to widen Washington Street from Grayslake to Gurnee with this important travel corridor now four lanes wide from west of Lake Street in Grayslake to Green Bay Road in Waukegan.

Other Transportation Programs

- The Lake County Non-Motorized Travel Study will provide design guidelines for appropriate pedestrians and bicycle accommodations along the County Highways as well as evaluate gaps in the existing sidewalk/bike path system.
- Lake County, in collaboration with PACE, is using federal transportation planning funds to conduct a market study of the fixed route bus service in Lake County to determine ways to improve and possibly expand bus service in different areas of the county.
- Lake County is collaborating with service providers and other partners to coordinate and improve para-transit services in the county using grant funds, along with matching Lake County sales tax dollars.
- The County continues to work to obtain its share of federal and state transportation resources. The Lake County Transportation Alliance established a consensus list of priority state highway capacity improvements for Lake County at the Transportation Summit for local elected officials held in 2006. Significant progress has been made on a number of

- these priority improvements with two of the projects nearing completion (US Route 45 and IL Route 83). These projects are consistently supported by our state legislative delegation.
- The County has taken a lead role in achieving consensus on the future of the IL Rte 120 corridor. This will be the first 4-lane, east-west highway across the entire county. Lake County is urging IDOT to advance the Central Lake Thruway project and fund a Phase I engineering study.

Goal: Enhance Livability and Economic Opportunities

The economic situation over the past few years has brought significant challenges in this area. However, even with the economic downturn, there is good news to report. A great example is the Alter Group's "Cornerstone" in Grayslake, which will be about 640 acres of mixed-use development. This creates tremendous opportunities for businesses to expand and for new companies to relocate. This also helps diversify the tax base. Lake County worked with the villages of Grayslake, Libertyville and Mundelein on a corridor agreement to plan for necessary road improvements, which includes the widening of Peterson Road between Rte 45 and Rte 60. The Lake County Board, in partnership with several different municipalities, has worked diligently to increase the inventory of shovel ready sites. This is a key strategy in the County Board's Strategic Plan. Today, Lake County has more than 1900 acres of prime real estate ready for development.

The proposed FY2011 budget includes funding to Lake County Partners – the Lake County Board's Economic Development Agency, although at a reduced amount.

Goal: Promote a Sustainable Environment

Water Supply

Lake County collaborated with the Illinois Geological Study (ISGS) to study the geology of the aquifer and ISGS is using the information to create 3D geologic maps that Lake County and others can use to plan for a sustainable water supply. Additionally, the Lake County Lake Michigan Water Planning Group, consisting of eight communities, is pursuing Lake Michigan Water Allocation applications to bring Lake Michigan water to northern and western Lake County. The County is also working to increase conservation efforts through public awareness.

The Water Supply Advisory Committee was formed in 2010 and has been meeting to review the State of Lake County Water Supply, recommendations authored by the Regional Water Supply Planning Group and to form recommendations for Lake County communities on water conservation, full cost pricing, loss prevention, ground water protection, and sustainable water management.

Wind Energy

Following an extensive 9-month process whereby a multi-jurisdictional task force developed a Model Wind Energy Ordinance for Lake County communities, Lake County is reviewing its own draft amendments to the Unified Development Ordinance to accommodate wind energy facilities. The County Board is expected to adopt the amendments in October 2010.

Energy Efficiency and Conservation

Lake County is using \$5.6 million of federal stimulus funds to implement several projects that reduce energy consumption, greenhouse gas emissions and operational costs across County departments:

➤ **Model Sustainable Building and Development Standards**

Lake County staff and consultant team is in the process of developing model sustainable building and development standards for Lake County and its municipalities. The goal of this 10-month project (to be completed in May 2011) is to develop a model for sustainable construction and site development best management practices for use county-wide. Upon project completion, staff would then recommend corresponding changes to the Lake County Unified Development Ordinance and Building Codes (to be adopted by fall 2011).

➤ **Energy Efficiency Retrofit Program**

Lake County is retrofitting several areas in County facilities to improve energy efficiency, including: upgrading heating and cooling systems, installing energy efficient lighting, upgrading electrical systems, replacing windows, improving insulation, and modifying controls and temperature sensing devices. These reductions are projected to save the County in excess of \$400,000/year in energy costs.

➤ **Lake County Fleet Routing Efficiency Program**

The installation of global positioning system (GPS) technology in selected County fleet vehicles will optimize the delivery of fleet services to the highway system which will reduce fuel consumption, reduce snow and ice control material usage, increase operational efficiency, and thereby provide opportunities for reduced travel times for motorists on County highways. This program is projected to save 1,600 gallons of diesel fuel and 600 tons of salt each year.

Goal: Build Healthy and Resilient Communities

Health and Preparedness

In response to the economic downturn, the Health Department sought and received three grants through the American Recovery and Reinvestment Act (ARRA). These funds helped establish an additional community health center site, add two new provider teams and establish a call center to handle the increasing demands of newly uninsured individuals seeking our services. The funds made it possible for us to serve 2,150 new clients since September of 2009, and renovate and expand an overcrowded community health center site in western Lake County.

Additionally, the Health Department's response to the H1N1 pandemic in 2009 and early 2010 advanced this strategic goal by a stronger public health system in Lake County. Lake County has also worked with other governments across Illinois to enhance preparedness by helping to develop the Illinois Public Works Mutual Aid Network – a formal statewide mutual-aid system to help stricken communities by sharing Public Works resources during response to disasters.

Workforce Development

Lake County received \$5.2 million in ARRA funds to assist low-income and laid-off workers with developing marketable skills and job placement for youth. More than 1,000 people were able to

access training to upgrade their skills and re-enter the workforce and 550 youths were put to work throughout the community. This program put more than \$1 million back into some of the hardest hit communities in this recession allowing them to provide needed services and give the youth a marketable experience for their future.

Goal: Provide Public Safety

Judicial System Operations

The Judicial Facilities Review Committee is an ad hoc committee formed by the Lake County Board to review short and long-term facility needs, as well as opportunities for efficiencies in the judicial system. The group completed phase I of this study and are proceeding on implementation of the highest priority items including requirements analysis for a jail classification system and goal setting for Differentiated Case Management.

Integrated Justice

Over the last several years, the County has received \$1.08 million in federal funds to integrate information systems that will provide law enforcement and criminal justice personnel with the ability to access real time information from all county data sources including: arrests, warrants, previous criminal history, jail, sentencing, parole, and more.

Other Public Safety Programs

- The Nineteenth Judicial Circuit acquired a state grant to establish a juvenile pre-employment program. To date, 23 youth have completed a job readiness curriculum, 12 were placed in grant-funded jobs and two others found jobs on their own. An additional job readiness class is anticipated to run in November 2010. Lake County Public Works also used several of the grant-funded positions.
- The Nineteenth Judicial Circuit and Lake County Bar Association implemented a Foreclosure Help Desk for the many Pro Se Foreclosure litigants to obtain information and assistance in understanding the complex foreclosure process.
- More than 20,000 jurors summoned to jury duty annually can now register on-line, saving juror and staff time as well as paper and postage.
- The Sexual Assault Coordinating Council secured a grant to fund an attorney to coordinate child sexual assault cases through completion.
- The Courts, working with other partners, received a grant to open a Visitation Exchange Center to support supervised parent child visitation, as well as to provide a neutral location for parents with conflict to exchange children for visitation.

Corporate Capital Improvement Program

The FY2011 recommended budget does not include the standard allocation of \$1.2 million from the corporate fund for capital improvements. After meeting the Board approved fund reserve policies, there is no fund sweep from the FY2009 budget. The funding allocation in the FY 2011 CCIP will be comprised of funding set aside in contingency in the FY2010 CCIP and funding reallocated within the CCIP fund. A list of recommended CCIP projects for FY2010 is provided in the Corporate Capital Improvement section of this document.

The county continues with its major capital improvement projects already underway as part of its Capital Improvement Program. Projects advanced in FY2010 include the following:

- Central Permit Facility and Consolidated Environmental Laboratory - Two story facility; approximately 65,000 sq. ft; was completed in April of 2010 and is successfully operating while housing approximately 120 county employees.
- The Lake County Energy Retrofit Program – Lake County is using \$5.6 million of federal stimulus funds to implement programs that reduce energy consumption, greenhouse gas emissions and operational costs across County departments. The Lake County Retrofit Program is focusing on implementing energy conservation measures throughout Lake County's Waukegan Campus. These retrofit activities include upgrading of heating and cooling systems, installing energy efficient lighting, upgrading electrical systems, replacing windows, improving insulation, and modifying controls and temperature sensing devices. When complete, these retrofits will save the County \$400,000 a year in energy costs.
- Continued design for a new skilled-nursing facility is making good progress. It is anticipated that construction of this new 176 bed facility could start late in FY2011.
- Continued focus on maintaining County facilities, based on the comprehensive facilities assessment.

These capital projects affect the operating budget in the following ways:

- CCIP Facility Assessment projects reduce ongoing maintenance and operating costs
- Operating costs (maintenance, utilities) associated with additional office space are offset in part by efficiencies from new systems and cost-savings associated with newer construction.
- The costs associated with leasing space are reduced as staff move into new facilities and the County vacates leased facilities.
- Implementing energy conservation measures will reduce the operation cost of the County through a reduction in energy use in County facilities.

A more complete description of the Corporate Capital Improvement Program is provided in the policies and procedures section of this document.

Debt Service

The principal balance of the two bond issues outstanding at the end of fiscal year 2010 will total \$35,105,000. This includes:

- \$1,805,000 for the 2005 bonds for the Radio System Improvements
- \$33,300,000 for the 2008 general obligation bonds for the Central Permit Facility, Health Department Building and East Branch Court projects

Total debt service payments in Fiscal Year 2011 for the two bond issues are \$3,231,996. This includes:

- \$482,416 for the Radio System Improvements
- \$2,749,581 for the above named 2008 projects

2010 was the final payment year for the Juvenile Justice System debt from 2001.

Total Debt Service as a percentage of total assessed value based on a valuation of \$28,213,045,938 is .011%

Status Quo Budget Analysis

A status-quo budget was calculated for the County's property tax operating funds allowing for no automatic increase in expenditure levels over FY2010. Documentation detailing any cost increases was requested from departments. Additionally, departments were encouraged to find areas for expense reductions.

As noted in the budget exhibits and narratives that are included later in this budget book, all departments have taken significant measures to reduce their budget requests where possible compared to FY2010. This has resulted in a proposed budget for FY2011 that is less than the approved budget for FY2010.

Carry-over appropriations are not contained within the approved status quo budget. They will be presented to the Board for re-appropriation. Carry-over appropriations are for projects that are financed from prior/current revenues but will not be completed until after the end of the current fiscal year.

As in the past, departments were allowed to request separate funding for new or expanded programs. However, due to the nature of the economic environment creating pressure on FY2010 and FY2011 no new or expanded programs were requested.

All Fund Analysis

The adopted budget for FY2010 and the recommended budget for FY2011 are as follows:

FUND	FY2010	FY2011	% CHANGE
Property Tax - Operating	315,805,577	306,484,420	-3.0%
Property Tax - Capital *	14,970,500	13,251,100	-11.5%
Special Revenue	62,984,806	59,864,960	-5.0%
Capital Funds	0	0	0.0%
Debt Service Funds	3,596,952	3,233,499	-10.1%
Internal Service	38,594,590	42,476,484	10.1%
Enterprise	61,459,836	53,062,253	-13.7%
Agency	60,459	63,583	5.2%
Special Service Areas	1,125,382	1,121,141	-0.4%
Total All Funds	498,598,102	479,557,440	-3.8%

* Bridge and Matching Tax Funds

Property Tax Revenue

The 2010 Equalized Assessed Value of the county for FY2011 levy determination is estimated at \$28,213,045,938. This is a *decrease* of 6.5% from the prior year actual EAV of \$30,170,722,053. Thus, the growth in assessed value in the County has begun to show the affects of the decline in the housing sector. The "truth in taxation" calculation for the property tax funds results in a 3.39% overall increase compared to the current extension. This increase is the combination of both the CPI growth on existing property as well as new property appearing on the tax rolls for the first time. The increase on existing property is 2.7%, while new property represents .69%. With an increase of only 2.7% on existing property combined with a lower EAV expectation, the impact on an average home worth \$250,000 is less than \$11. The total levy recommended for FY2011 is \$144,732,926. In 2011, the County property tax levy is expected to be 7% or less of the total property taxes for taxpayers in Lake County. Although all taxes are paid to the County Collector, the vast majority of funds are distributed to other taxing bodies. As always, it should be noted that individual taxes for a particular property will not necessarily increase by the tax levy increase. This is due to the overall increase in assessed value throughout the county. Each property has to be looked at individually to assess the increase in tax liability and factors affecting that increase.

Recognition

Lake County has AAA credit ratings from Standard & Poor's and Moody's Investors Services. The AAA rating is the highest possible credit score given to governments. A diverse and growing economy, strong financial management, and a manageable debt burden are the hallmarks of triple A rated counties.

Lake County has been recognized for its financial management by the Government Finance Officers Association with the presentation of the "Certificate of Achievement for Excellence in Financial Reporting" for Lake County's Comprehensive Annual Financial Report and the

"Distinguished Budget Presentation Award" for meeting the highest principles of governmental budgeting.

The National Association of Counties (NACo) presented Lake County with a 2010 Achievement Award for its 2010 Budget Communication Program which involved delivering accurate and timely information in order to improve understanding, foster cooperation, and obtain input from all stakeholders.

Budget Process

Lake County operates on a December through November fiscal year so the FY2011 budget will become effective on December 1, 2010. The Board will review the FY2011 recommended budget at meetings on October 5 and October 6, and at the County Board meeting on Tuesday, November 16.

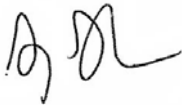
The following pages detail the areas highlighted above.

We'd like to express our appreciation to all Elected Officials, Departments Heads and their staff, as well as staff from the Budget Office and Communications for their efforts in putting together this budget.

Respectfully submitted,



Barry Burton
County Administrator



Gary Gordon
Director of Finance and Administrative Services

Additional copies of this document are available for download on the County's website at <http://www.lakecountyil.gov/finance/budgetdocsandstatements/default.htm>.